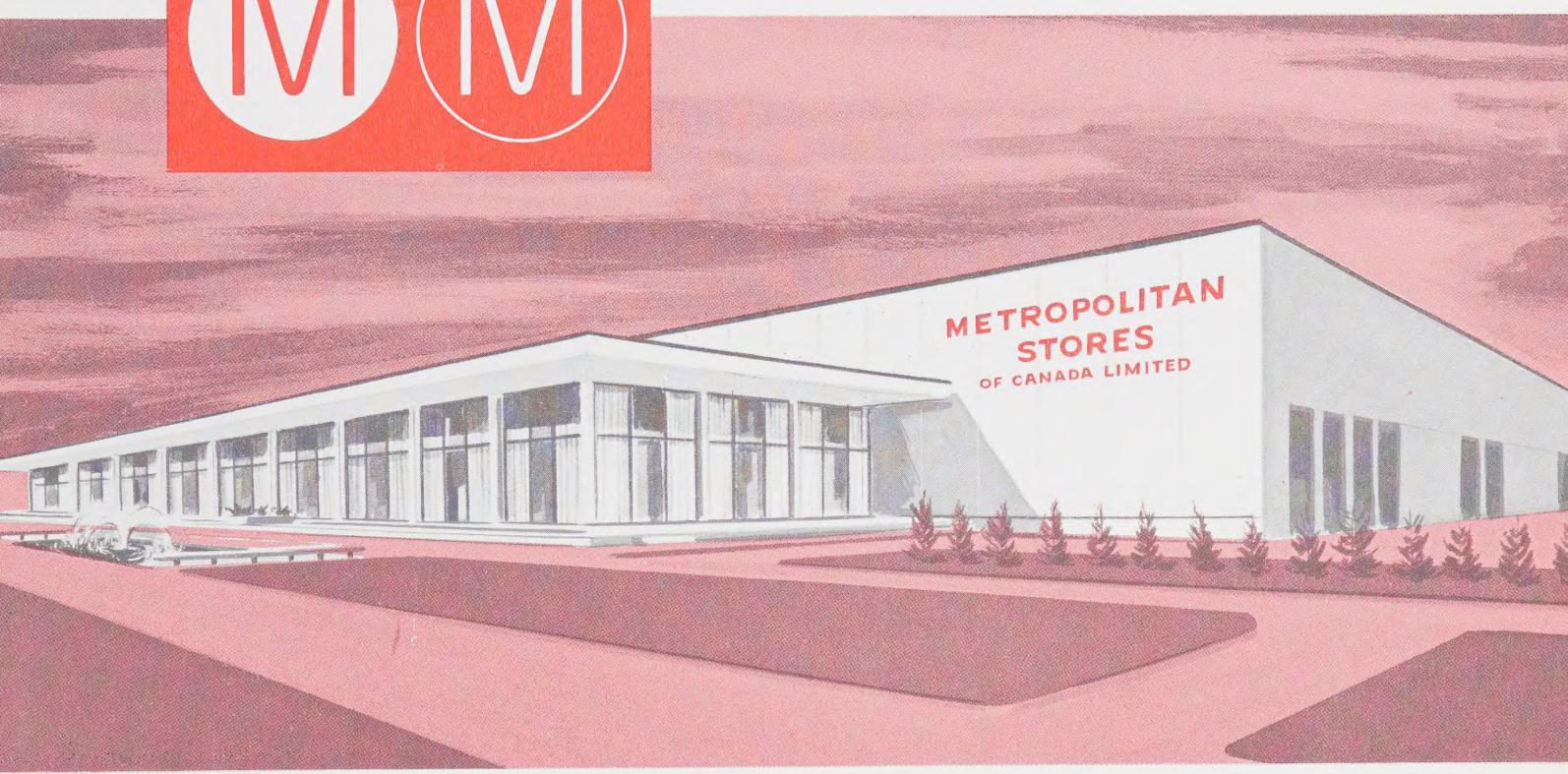


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METROPOLITAN STORES OF CANADA LIMITED

ANNUAL Report

FISCAL YEAR ENDED JANUARY 31, 1965



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METROPOLITAN STORES OF CANADA LIMITED

METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

Directors

R. L. BAILEY	Winnipeg, Man.
ALBERT D. COHEN	Winnipeg, Man.
MORLEY M. COHEN	Montreal, Que.
SAMUEL N. COHEN	Winnipeg, Man.
G. R. HUNTER, Q.C.	Winnipeg, Man.
S. B. PHIPPS	Winnipeg, Man.
J. H. UNGER	London, Ont.

Officers

ALBERT. D. COHEN	<i>Chairman</i>
SAMUEL N. COHEN	<i>President</i>
MORLEY M. COHEN	<i>Executive Vice-President</i>
GEORGE W. HOLT	<i>Vice-President</i>
RALPH C. DUCKWORTH	<i>Comptroller</i>
G. R. HUNTER, Q.C.	<i>Secretary</i>
GLEN SHEPHERD	<i>Assistant Secretary</i>

Registrar and Transfer Agent

NATIONAL TRUST COMPANY, LIMITED

Auditors

McDONALD, CURRIE & CO.

REPORT OF DIRECTORS

To the Shareholders of

Metropolitan Stores of Canada Limited:

It is with much pleasure that we present to shareholders the fourth annual report of your Company. During the fiscal year ended January 31st, 1965, both sales and earnings continued to show a most satisfactory improvement — the fourth successive year of increases. The Comparative Financial Statistics tabulation shows the steady growth of your Company.

EARNINGS

Net earnings for the year ended January 31st, 1965 were \$799,365, an increase of 10.5% over profits of the previous fiscal year. After dividend payments of \$195,000 on the \$1.30 Cumulative Redeemable Preferred shares, net earnings are equal to 70.8¢ per common share which compares with 62¢ per share in the previous year. The Company's policy is not to carry intangible assets on its balance sheet any longer than is necessary. Accordingly, the Directors have approved the charge to retained earnings, the unamortized bond discount and the excess of purchase price of shares of subsidiary over the net book value at date of acquisition.

SALES

Sales of the Company in the year under review increased 10.9% to \$28,767,320 which compares with \$25,939,724 in the previous fiscal period.

OPERATIONAL HEADQUARTERS

The illustration on the cover of this Report shows our handsome and functional office and warehouse building located in Pointe Claire, Montreal, Quebec to which we moved late in 1963. The beneficial results of this move have contributed to the overall improvement of the operation.

STORE EXPANSION

Net additions to fixed assets in 1964 totalled \$947,305.

During the year two new Metropolitan stores and two new Saan stores were opened; one store enlarged considerably and five other stores completely renovated. Properties on which to construct three new stores were also acquired.

A new store operating under the name of Met was opened in Cobourg, Ontario. This store which is in the nature of a junior department store has 35,000 square feet of selling area. Sales subsequent to the opening have been most satisfactory and this store may well be the forerunner of expansion into larger store units.

A new Metropolitan store was also opened in Summerside, Prince Edward Island. The unit has 12,000 square feet of selling space and your Directors are well pleased with its acceptance in the area.

In British Columbia new Saan stores have been opened at Kelowna and Penticton.

During the year the Metropolitan store at Yorkton, Saskatchewan, was enlarged considerably and is now the major variety store in that city. Sales by this unit have increased substantially.

MODERNIZATION

The programme of modernization of stores is continuing and in the past year the following stores have been completely renovated.

Nova Scotia	— Halifax, Gottingen St. Dartmouth, Commercial St.
P.E.I.	— Charlottetown
Saskatchewan	— North Battleford.

At the end of the fiscal year your Company had a total of 114 stores, an increase of three stores over the previous year. Of the total, 90 were Metropolitan stores and 24 operated under the Saan name. One Metropolitan store was closed during the year.

1965 PLANS

Properties have been acquired in the Maritime Provinces on which three new Metropolitan stores will be constructed. It is expected that all three stores will be in operation by the Fall of 1965.

Plans have been made and negotiations are in progress for the opening of five new Saan stores in 1965.

The store modernization programme is continuing with at least five stores scheduled for renovation during the current year.

DIVIDENDS

Dividends at the fixed rate of \$1.30 per annum were paid on the Company's cumulative redeemable preferred shares.

Because of the continuing substantial expansion and building programme, funds generated internally from depreciation and profits are being re-invested for the improvement of your Company. It is, therefore, the view of the Directors that the payment of dividends on the common shares should be deferred for the time being.

DIRECTORS

On October 1st, 1964, Mr. Joseph H. Unger, having reached retirement age, resigned from his position of President of the Company. We are much indebted to him for the leadership he provided and his unfailing devotion to the betterment of your Company. We are pleased to report that Mr. Unger will remain as a director.

Mr. Samuel N. Cohen was elected by the Board of Directors to succeed Mr. Unger as President of the Company. Mr. Cohen has had long experience in the retail field, having served as President of Saan stores for the past ten years and prior to becoming President of Metropolitan he was Executive Vice-President of the Company.

Mr. Morley M. Cohen has been elected to the Board of Directors and has been appointed to the position of Executive Vice-President. His knowledge and experience in all phases of retailing should prove invaluable in the coming years.

IN APPRECIATION

Your Board of Directors would like to express its deep appreciation to each of our large number of Company employees for their loyalty, co-operation and enthusiasm without which the achievements of the past year would not have been possible.

It is also desired to thank our many dependable suppliers of merchandise for their continued support and co-operation. Their assistance has contributed much to the progress of the Company.

It would also seem most appropriate that we thank the vast legion of loyal customers upon whose continuous and growing patronage the success of your Company depends.

THE FUTURE

Your Directors view the future with confidence. The plans for the Company are keyed to participate in the continued growth of the Canadian economy by the opening of new units in areas of distinct promise and the modernization of existing units to meet in full the rigours of retail competition.

Submitted on behalf of the Board of Directors,

Winnipeg, Canada.

March, 1965.

Albert J. Cohen *Chairman.*
Samuel N. Cohen *President.*

METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

AND ITS WHOLLY OWNED SUBSIDIARY

ASSETS

CURRENT ASSETS

	1965	1964
Cash	293,321	377,262
Receivables	115,890	67,110
Inventories at lower of cost or net realizable value	5,949,936	4,765,342
Prepaid expenses	96,391	96,134
	<hr/> 6,455,538	<hr/> 5,305,848

FIXED ASSETS

Land—at cost	5,731,976	5,561,965
Buildings—at cost	5,546,095	5,247,249
Fixtures and equipment—at cost	2,987,914	2,612,832
	<hr/> 14,265,985	<hr/> 13,422,046
Accumulated depreciation	2,129,427	1,528,592
	<hr/> 12,136,558	<hr/> 11,893,454
Leasehold improvements—at cost, less amortization	667,004	645,458
	<hr/> 12,803,562	<hr/> 12,538,912

OTHER ASSETS

Sundry advances and investments	163,784	29,207
Unamortized bond discount		185,783
Excess of purchase price of shares of subsidiary over the net book value at date of acquisition		214,841
	<hr/> 163,784	<hr/> 429,831

SIGNED ON BEHALF OF THE BOARD

ALBERT D. COHEN

Directors

SAMUEL N. COHEN

\$19,422,884 \$18,274,591

NOTES:—

1. The following items have been charged to the consolidated retained earnings during the year—
 (a) the balance of unamortized bond interest, formerly being written off over the life of the bonds, of which \$14,800 would have been a charge to earnings for the year,
 (b) the excess of the purchase price of subsidiary company over the net book value at the date of acquisition, August 31, 1962.

2. Long-term debt—

	Total	Instalments	Maturing in one year	Not maturing in one year
6½% first mortgage sinking fund bonds, Series A, to be retired by annual sinking fund payments to February 1, 1984	6,345,000	165,000	6,180,000	
6¾% 20-year mortgage loan maturing in equal monthly instalments of \$3,759 including principal and interest	486,729	13,103	473,626	
Mortgage loan of subsidiary maturing August 1, 1970	14,696	5,100	9,596	
	<hr/> \$6,846,425	<hr/> \$183,203	<hr/> \$6,663,222	

3. Minimum annual rentals on property leases in effect at January 31, 1965, expiring subsequent to January 31, 1970, total approximately \$367,000 exclusive of payments of property taxes and other expenses.

CONSOLIDATED BALANCE SHEET
AS AT JANUARY 31, 1965

(With comparative figures as at January 31, 1964)

LIABILITIES

	1965	1964
CURRENT LIABILITIES		
Bank advances	576,437	79,843
Accounts payable	1,353,770	1,072,811
Accrued expenses and commissions	792,138	707,095
Income and other taxes payable	512,555	311,324
Long term debt instalments due within one year	183,203	166,271
	<hr/> 3,418,103	<hr/> 2,337,344
LONG TERM DEBT (Note 2)	<hr/> 6,663,222	<hr/> 6,831,729
DEFERRED INCOME TAXES	<hr/> 202,900	<hr/> 170,600

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized—

250,000 preferred shares of the par value of \$20 of which the 1961 series of 150,000 shares are entitled to a fixed cumulative dividend of \$1.30 per annum, and are redeemable at \$21.25 per share

1,500,000 common shares without nominal or par value

Issued and fully paid—

150,000 preferred shares 1961 series	3,000,000	3,000,000
852,921 common shares	4,751,026	4,751,026
	<hr/> 7,751,026	<hr/> 7,751,026

RESERVE FOR THE REDEMPTION OF PREFERRED SHARES UNDER THE TERMS THEREOF

RETAINED EARNINGS

40,607	
1,347,026	1,183,892
9,138,659	8,934,918
<hr/> \$19,422,884	<hr/> \$18,274,591

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its wholly-owned subsidiary company as at January 31, 1965 and the consolidated statements of earnings and retained earnings and source and use of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and source and use of funds, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at January 31, 1965 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the matters outlined in Note 1.

March 12, 1965.

McDonald, Currie & Co.
Chartered Accountants.

**METROPOLITAN STORES OF CANADA LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1965**

(With comparative figures for the year ended January 31, 1964)

	1965	1964
Sales	28,767,320	25,939,724
Cost of goods sold and operating expenses before the following items	25,831,623	23,366,802
Remuneration of executive officers	202,100	199,850
Directors' fees	3,600	3,600
Legal fees	11,162	6,789
Depreciation and amortization of fixed assets and leasehold improvements	682,655	579,816
Bond interest and discount (note 1 (a))	445,205	438,683
	27,176,345	24,595,540
	1,590,975	1,344,184
Provision for income taxes	791,610	620,791
NET EARNINGS FOR THE YEAR	799,365	723,393
RETAINED EARNINGS—BEGINNING OF YEAR	1,183,892	655,499
	1,983,257	1,378,892
Cash dividends on preferred shares of \$1.30 per share	195,000	195,000
Amount provided for redemption of preferred shares	40,607	
Bond discount written off	185,783	
Excess of purchase price of shares of subsidiary over the net book value at date of acquisition written off	214,841	
	636,231	195,000
RETAINED EARNINGS—END OF YEAR	\$1,347,026	\$ 1,183,892

**METROPOLITAN STORES OF CANADA LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY**

FINANCIAL SUMMARY

	Years Ended January 31			
	1965	1964	1963	1962
Number of stores	114	111	111	87
Sales	28,767,320	25,939,724	23,185,334	20,492,362
Earnings after tax	799,365	723,393	646,367	301,632
Preferred dividend	195,000	195,000	195,000	97,500
Earnings for common shareholders	604,365	528,393	451,367	204,132
Earnings per common share	70.8¢	62¢	52.9¢	27.8¢

WORKING CAPITAL

	1965	1964
SOURCE OF FUNDS		
Net earnings for the year	799,365	723,393
Add: Charges not requiring cash outlay—		
Depreciation and amortization of fixed assets and leasehold improvements	682,655	579,816
Increase in deferred income taxes	32,300	88,600
Amortization of bond discount	15,170	
	1,514,320	1,406,979
Proceeds of mortgage loan	17,390	498,000
	1,531,710	1,904,979
USE OF FUNDS		
Additions to fixed assets—net	947,305	1,911,542
Increase in sundry advances and investments	134,577	(4,126)
Dividends on preferred shares	195,000	195,000
Instalments of long-term debt maturing in one year	185,897	166,271
	1,462,779	2,268,687
INCREASE OR (DECREASE) IN WORKING CAPITAL		
WORKING CAPITAL—BEGINNING OF YEAR	68,931	(363,708)
WORKING CAPITAL—END OF YEAR	\$2,968,504	\$3,037,435

LOCATIONS OF METROPOLITAN STORES

ONTARIO 43

Aylmer	Ingersoll	Parry Sound	Stratford
Belleville	Kingston	Peterborough	Tillsonburg
Blenheim	Kirkland Lake	Petrolia	Timmins
Brantford	Leamington	Port Arthur	Toronto (2)
Chatham	London (3)	Ridgetown	Wallaceburg
Cobourg	Niagara Falls	St. Catharines	Waterloo
Cornwall	Orillia	St. Thomas	Willowdale
Dresden	Oshawa	Sarnia	Windsor (3)
Forest	Ottawa (2)	Sault Ste. Marie	Woodstock
Fort William			

NOVA SCOTIA 16

Amherst	Digby	Halifax (2)	North Sydney
Bridgewater	Glace Bay	Kentville	Sydney (2)
Dartmouth (2)	Greenwood	New Glasgow	Truro

QUEBEC 7

Hull	Quebec	Shawinigan Falls	Victoriaville
Joliette	Rouyn	Sherbrooke	

SASKATCHEWAN 7

Moose Jaw	Kelowna	BRITISH COLUMBIA 5	ALBERTA 3
North Battleford	Nanaimo		
Prince Albert	New Westminster		
Regina	Vancouver		
Saskatoon	Victoria		
Swift Current			
Yorkton			

MANITOBA 4

Brandon	Fredericton	NEW BRUNSWICK 3	PRINCE EDWARD ISLAND 2
Dauphin	Moncton		
Portage la Prairie	Saint John		
Winnipeg			

North Sydney
Sydney (2)
Truro
Yarmouth

Victoriaville

Calgary
Edmonton
Lethbridge

Charlottetown
Summerside

LOCATIONS OF SAAN STORES

MANITOBA 4

Portage la Prairie	Dauphin	Brandon
The Pas		

SASKATCHEWAN 9

Saskatoon (2)	Prince Albert	Yorkton
Regina	Moose Jaw	Swift Current
North Battleford	Estevan	

ALBERTA 7

Drumheller	Lethbridge	Red Deer
Camrose	Grande Prairie	Calgary
Stettler		

BRITISH COLUMBIA 4

Fort St. John	Dawson Creek	Penticton
Kelowna		